

FINANCIAL STATEMENTS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2021

ALLIANCE PREPARATORY SCHOOLS, INC.
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FINANCIAL SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2021

Rebekah Barr, CPA PC

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Independent Auditor's Report

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

Report on the Financial Statements

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alliance Preparatory Schools, Inc., North Carolina, as of and for the year ended June 30, 2021 and the related notes to the financial statements, which collectively comprise the Alliance Preparatory Schools, Inc.'s basic financial statements as listed in the table of contents.

Management's Responsibility for the Financial Statements

Management is responsible for the preparation and fair presentation of these financial statements in accordance with accounting principles generally accepted in the United States of America; this includes the design, implementation, and maintenance of internal control relevant to the preparation and fair presentation of financial statements that are free from material misstatement, whether due to fraud or error.

Auditor's Responsibility

Our responsibility is to express opinions on these financial statements based on our audit. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement.

An audit involves performing procedures to obtain audit evidence about the amounts and disclosures in the financial statements. The procedures selected depend on the auditor's judgment, including the assessment of the risks of material misstatement of the financial statements, whether due to fraud or error. In making those risk assessments, the auditor considers internal control relevant to the entity's preparation and fair presentation of the financial statements in order to design audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the entity's internal control. Accordingly, we express no such opinion. An audit also includes evaluating the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management, as well as evaluating the overall presentation of the financial statements.

We believe that the audit evidence we have obtained is sufficient and appropriate to provide a basis for our audit opinions.

Opinions

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of Alliance Preparatory Schools, Inc., as of June 30, 2021, and the respective changes in financial position, and, where applicable, cash flows thereof for the year then ended in accordance with accounting principles generally accepted in the United States of America.

Other Matters

Required Supplementary Information

Accounting principles generally accepted in the United States of America require that the Management's Discussion and Analysis on pages 8-17 be presented to supplement the basic financial statements. Such information, although not a part of the basic financial statements, is required by the Governmental Accounting Standards Board, who considers it to be an essential part of financial reporting for placing the basic financial statements in an appropriate operational, economic, or historical context. We have applied certain limited procedures to the required supplementary information in accordance with auditing standards generally accepted in the United States of America, which consisted of inquiries of management about the methods of preparing the information and comparing the information for consistency with management's responses to our inquiries, the basic financial statements, and other knowledge we obtained during our audit of the basic financial statements. We do not express an opinion or provide any assurance on the information because the limited procedures do not provide us with sufficient evidence to express an opinion or provide any assurance.


Supplementary and Other Information

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Alliance Preparatory Schools, Inc.'s basic financial statements. The combining and individual subfund financial statements, budgetary schedules and other schedules are presented for purposes of additional analysis and are not a required part of the basic financial statements. The Schedule of Expenditures of Federal and State Awards is presented for purposes of additional analysis as required by the Title 2 U.S. *Code of Federal Regulations* (CFR) Part 200, *Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards*, and is also not a required part of the basic financial statements.

The combining and individual subfund financial statements, budgetary schedules, other schedules, as well as the accompanying Schedule of Expenditures of Federal and State Awards is the responsibility of management and was derived from and relates directly to the underlying accounting and other records used to prepare the basic financial statements. Such information has been subjected to the auditing procedures applied in the audit of the basic financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the basic financial statements or to the basic financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America. In our opinion, the combining and individual subfund financial statements, budgetary schedules, other schedules, and the accompanying Schedule of Expenditures of Federal and State Awards are fairly stated, in all material respects, in relation to the basic financial statements as a whole.

Other Reporting Required by Government Auditing Standards

In accordance with *Government Auditing Standards*, we have also issued our report dated October 27, 2021, on our consideration of Alliance Preparatory Schools, Inc.'s internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering Alliance Preparatory Schools, Inc.'s internal control over financial reporting and compliance.


Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 27, 2021

Alliance Preparatory Schools, Inc. Management's Discussion and Analysis For the Year Ended June 30, 2021

As management of the Alliance Preparatory Schools, Inc., we provide these financial statements and this narrative overview and analysis of Alliance Preparatory Schools, Inc.'s financial position as of June 30, 2021 and its operations for the year then ended. We encourage readers to review the discussion presented here in conjunction with additional information included in the financial statements and notes which follow this section.

Financial Highlights

- The entity Alliance Preparatory Schools, Inc. includes two schools in fiscal year ended at June 30, 2021: Mallard Creek STEM Academy (MCSA) and Southwest Charlotte STEM Academy (SCSA).
- SCSA was a new subsidiary school which did not open until fiscal year 2020. MCSA opened in fiscal year 2016.
- The data in Alliance Preparatory Schools, Inc.'s net position (Figure 2), changes in net position (Figure 3), capital assets (Figure 4), and long-term debt (Figure 5) represents the combined amount from both MCSA and SCSA.
- The assets of the Alliance Preparatory Schools, Inc. exceeded its liabilities and deferred inflows at the close of the fiscal year by \$3,897,002 (**net position**) with total business net position of (\$2,546,049) and total government net position of \$6,443,051.
- The organization's total net position increased by \$2,679,152, primarily due to increases in the government net position about 3M and the decrease of the business-type net position about 265K. The total net position change includes the effects from both MCSA and SCSA.
- As of the close of the current fiscal year, the Alliance Preparatory Schools, Inc.'s governmental funds reported combined ending fund balances of \$4,649,673, an increase of \$3,090,707 in comparison with the prior year with \$2.122.043 increase from MCSA and \$968.664 increase from SCSA.
- During the current fiscal year, Alliance Preparatory Schools, Inc.'s long-term debt decreased by \$606,379 to \$45,950,287 as of June 30, 2021. The key factor in this decrease was that the 2019 revenue bond direct placement and 2020 revenue bond direct placement decreased by \$405,000 and \$210,000 respectively.

Overview of the Financial Statements

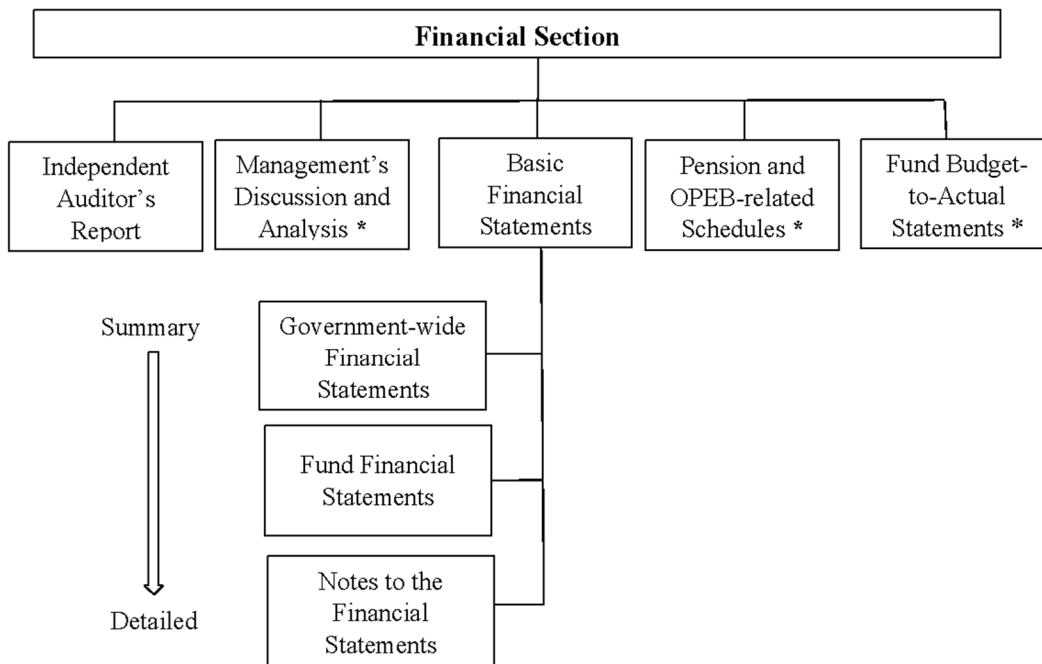
This discussion and analysis are intended to serve as an introduction to Alliance Preparatory Schools, Inc.'s basic financial statements. The organization's basic financial statements consist of three components; 1) government-wide financial

Alliance Preparatory Schools, Inc.

statements, 2) fund financial statements, and 3) notes to the financial statements (see Figure 1). The basic financial statements present two different views of Alliance Preparatory Schools, Inc. through the use of government-wide statements and fund financial statements. In addition to the basic financial statements, the annual financial report contains the independent auditor's report, certain required supplementary information and other required schedules that provide additional information to enhance the reader's understanding of the financial position and activities of Alliance Preparatory Schools, Inc.

Required Components of Annual Financial Report

Figure 1



* Required Supplementary Information

Basic Financial Statements

The first two statements (Exhibits 1 and 2) in the basic financial statements are the **Government-wide Financial Statements**. They provide both short and long-term information about Alliance Preparatory Schools, Inc.'s financial status.

The next statements (Exhibits 3 through 8) are **Fund Financial Statements**. These statements focus on the activities of the individual parts of Alliance Preparatory Schools, Inc.'s government. These statements provide more detail than the government-wide statements. There are two parts to the Fund Financial Statements: 1) the governmental funds statements; and 2) the proprietary fund statements.

Alliance Preparatory Schools, Inc.

The next section of the basic financial statements is the **notes**. The notes to the financial statements explain in detail some of the data contained in those statements. After the notes, **supplemental information** is provided to show details about the organization's individual funds. Budgetary information for the organization also can be found in this section of the statements.

Government-wide Financial Statements

The government-wide financial statements are designed to provide the reader with a broad overview of the organization's finances, similar in format to a financial statement of a private-sector business. The government-wide statements provide short and long-term information about the organization's financial status as a whole.

The two government-wide statements report the organization's net position and how they have changed. Net position is the difference between the organization's total assets plus deferred outflows of resources minus the total of liabilities plus deferred inflows of resources. Measuring net position is one way to gauge the organization's financial condition.

The government-wide statements are divided into two categories: 1) governmental activities; and 2) business-type activities. The governmental activities include most of the organization's basic functions such as instructional services and business services. State, county, and federal funds provide virtually all of the funding for these functions. The business-type activities are those services for which the organization charges its students and other customers to provide. Alliance Preparatory Schools, Inc. offers lunch plus before and after school programs.

The condensed government-wide financial statements are provided in Exhibits 1 and 2 of this report.

Fund Financial Statements

The fund financial statements provide a more detailed look at the organization's most significant activities. A fund is a grouping of related accounts that is used to maintain control over resources that have been segregated for specific activities or objectives. Alliance Preparatory Schools, Inc., like all other governmental entities in North Carolina, uses fund accounting to ensure and reflect compliance (or non-compliance) with finance-related legal requirements, such as the North Carolina General Statutes or the organization's budget ordinance. All of the funds of Alliance Preparatory Schools, Inc. can be divided into two categories: governmental funds and proprietary funds.

Governmental Funds – Governmental funds are used to account for those functions reported as governmental activities in the government-wide financial statements. Most of the organization's basic services are accounted for in governmental funds. These funds focus on how assets can readily be converted into cash flow in and out, and what monies are left at year-end that will be available for spending in the next

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year. Governmental funds are reported using an accounting method called *modified accrual accounting* that provides a short-term spending focus. As a result, the governmental fund financial statements give the reader a detailed short-term view that helps him or her determine if there are more or less financial resources available to finance the organization's programs provided by the organizations. The relationship between governmental activities (reported in the Statement of Net Position and the Statement of Activities) and governmental funds is described in a reconciliation that is a part of the fund financial statements.

Each school adopts an annual budget, although it is not required to do so by the General Statutes. Because the budget is not legally required by the Statutes, the budgetary comparison statements are not included in the basic financial statements, but are part of the supplemental statements and schedules that follow the notes. The budget is a legally adopted document that incorporates input from the faculty, management, and the Board of Directors of the organization in determining what activities will be pursued and what services will be provided by the organization during the year. It also authorizes the organization to obtain funds from identified sources to finance these current period activities. The budgetary statement provided for each of the funds demonstrates how well the organization has complied with the budget ordinance and whether or not the organization has succeeded in providing the services as planned when the budget was adopted.

Proprietary Funds – Alliance Preparatory Schools, Inc. operate proprietary funds which are enterprise funds. *Enterprise funds* are used to report the same functions presented as business-type activities in the government-wide financial statements. Alliance Preparatory Schools, Inc. uses enterprise funds to account for its school lunch fund and before and after school fund.

Notes to the Financial Statements – The notes provide additional information that is essential to a full understanding of the data provided in the government-wide and fund financial statements. The notes to the financial statements begin on page 26 of this report.

Government-Wide Financial Analysis

The financial analysis reveals that at June 30, 2021, cash and cash equivalents, and other current assets, primarily amounts from restricted cash, accounted for 7.01% and 6.84% of total government-wide assets, respectively. Compared to the prior year, there is an increase of about 3.3M in current assets due to the significant increase of county, state and federal funds which cause the increase of cash and cash equivalents. Capital assets, net of accumulated depreciation, accounted for 83.35% of total assets, a decrease of \$1,016,018 or 2.37% decrease compared with the capital asset in prior year. Long-term liabilities represent 99.43% of total liabilities, a decrease of \$606,379 or 1.3% decrease compared with the long term liability in prior year.

As noted earlier, net position may, over time, serve as one useful indicator of a school's financial condition. The total assets of Alliance Preparatory Schools, Inc.

Alliance Preparatory Schools, Inc.

increased by \$2,314,259 or 4.84% compared to prior year and exceeded liabilities and deferred inflows of resources by \$3,897,002 as of June 30, 2021. As of June 30, 2020, the net position of Alliance Preparatory Schools, Inc. stood at \$1,217,850. The organization's net position increased by \$2,679,152 for the fiscal year ended June 30, 2021, compared to an increase of \$577,297 in 2020. One of the largest portions, (\$4,181,625), reflects the organization's investment in capital assets (e.g., land, buildings, machinery, and equipment), less any related debt still outstanding that was issued to acquire those items. Alliance Preparatory Schools, Inc. uses these capital assets to provide services to its students; consequently, these assets are not available for future spending. Although Alliance Preparatory Schools, Inc.'s net investment in capital assets is reported net of the outstanding related debt, the resources needed to repay that debt must be provided by other sources, since the capital assets cannot be used to liquidate these liabilities. An additional portion of the organization's net position in the amount of \$3,425,197 represents resources that are subject to external restrictions on how they may be used. The remaining balance of \$4,653,430 is unrestricted.

A condensed statement of net position which summarized the assets, liabilities, deferred inflows of resources and net position at June 30, 2021 and 2020 is as follows:

Alliance Preparatory Schools, Inc.'s Statement of Net Position

Figure 2

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Current and other assets	\$ 4,902,811	\$ 1,580,751	\$ 3,439,749	\$ 3,431,532	\$ 8,342,560	\$ 5,012,283
Capital assets	1,793,378	1,940,262	39,975,284	40,844,418	41,768,662	42,784,680
Total assets	6,696,189	3,521,013	43,415,033	44,275,950	50,111,222	47,796,963
Current liabilities	253,138	21,785	10,795	662	263,933	22,447
Long-term liabilities	-	-	45,950,287	46,556,666	45,950,287	46,556,666
Total liabilities	253,138	21,785	45,961,082	46,557,328	46,214,220	46,579,113
Net Position:						
Net investment in capital assets	1,793,378	1,940,262	(5,975,003)	(5,712,248)	(4,181,625)	(3,771,986)
Restricted	-	-	3,425,197	3,427,131	3,425,197	3,427,131
Unrestricted	4,649,673	1,558,966	3,757	3,739	4,653,430	1,562,705
Total Net Position	\$ 6,443,051	\$ 3,499,228	\$ (2,546,049)	\$ (2,281,378)	\$ 3,897,002	\$ 1,217,850

Alliance Preparatory Schools, Inc.

Several particular aspects of the organization's financial operations positively influenced the total unrestricted governmental net position:

- The organization adopted an annual budget for all funds. The organization's performance was measured using these budgets on a monthly basis, allowing changes in spending as needed to stay within the budget.
- The organization applied for and was awarded several federal grants to assist with the expenses of meeting the education needs of its students.
- Funding changes proportionately with any changes in the student enrollment.

Revenues, expenses and the change in net position is summarized in the following condensed statement of activities for the year ended June 30, 2021 and 2020:

Alliance Preparatory Schools, Inc.
Alliance Preparatory Schools, Inc.
Condensed Statement of Activities
Figure 3

	Governmental Activities		Business-type Activities		Total	
	2021	2020	2021	2020	2021	2020
Revenue						
Charges for services	\$ -	\$ -	\$ 20,365	\$105,605	\$ 20,365	\$ 105,605
Operating grants and contributions	572,507	360,745	90,980	69,025	663,487	429,770
County, State, and Federal funds	14,601,348	11,336,712			14,601,348	11,336,712
Donations and other revenues	770,074	344,912	3,770,190	-	4,540,264	344,912
Total revenues	15,943,929	12,042,369	3,881,535	174,630	19,825,464	12,216,999
Expense						
Instructional programs	7,473,455	6,559,969			7,473,455	6,559,969
Athletics, arts, clubs	9,258	42,230			9,258	42,230
Support services	5,287,177	2,125,933			5,287,177	2,125,933
Community service	5,216	11,961			5,216	11,961
Interest on long-term debt	-	99,975			-	99,975
Southwest Charlotte STEM Academy			2,271,312	874,068	2,271,312	874,068
Alliance Preparatory Schools, Inc. LLC (Mallard Creek STEM Academy)			1,763,567	1,614,827	1,763,567	1,614,827
Before and after school			97	12,551	97	12,551
School lunch service			336,230	298,188	336,230	298,188
Total expenses	12,775,106	8,840,068	4,371,206	2,799,634	17,146,312	11,639,702
Increase (decrease) in net position	3,168,823	3,202,301	(489,671)	(2,625,004)	2,679,152	577,297
Transfers	(225,000)	(1,121,166)	225,000	1,121,166	-	-
Increase (decrease) in net position	2,943,823	2,081,135	(264,671)	(1,503,838)	2,679,152	577,297
Net assets, July 1	3,499,228	1,418,093	(2,281,378)	(777,540)	1,217,850	640,553
Net assets, June 30	6,443,051	3,499,228	(2,546,049)	(2,281,378)	3,897,002	1,217,850

Alliance Preparatory Schools, Inc.

Governmental activities: Governmental activities increased the organization's net position by \$2,943,823 after transfer of \$225,000 to business activities, compared to an increase in net position of \$2,081,135 in the prior year. The increase in revenues of \$3,901,560 was offset by an increase in expenses of \$3,935,038, compared with the revenues and expenses from the prior year. County, State and Federal funds of \$14,601,348 increased by \$3,264,636 or 28.8% compared to that revenue of prior year and make up 91.58% of total governmental revenues. Instructional service and related expenses of \$7,473,455 account for 58.5% of total governmental expenses and increased by 13.93% compared to that expense in prior year. This reflects both increased program and general revenues offset against increased cost of providing instructional services, interest on long-term debt and some other expenses. As compared to 2020, the change in net position increased by \$862,688 after consideration of the transfer effects.

Business-type activities: Business-type activities decreased the organization's net position by \$264,671, compared to a decrease in net position of \$1,503,838 in the prior year, primarily due to the significant increase of donations and other revenues in the amount of 3.8M. The organization lunch fund and before and after school fund generate charges for service revenue of \$20,365 and government contribution of \$90,980 while all operating expenses totaled \$4,371,206.

Key elements of this increase are as follows:

- By adopting a budget for each of the enterprise funds that comprise the business-type activities, the Board can monitor the revenues and expenditures of the organizations and adjust their estimates as needed during the year.
- Alliance Preparatory Schools, Inc. received \$90,980 of federal reimbursement funds in the organization's lunch fund this fiscal year, an increase of \$21,955 or 31.81% over prior year.

Financial Analysis of Alliance Preparatory Schools, Inc.'s Funds

As noted earlier, Alliance Preparatory Schools, Inc. uses fund accounting to ensure and demonstrate compliance with finance-related legal requirements.

Governmental Funds. The focus of Alliance Preparatory Schools, Inc.'s governmental funds is to provide information on near-term inflows, outflows, and balances of usable resources. Such information is useful in assessing Alliance Preparatory Schools, Inc.'s financing requirements. Specifically, unassigned fund balance can be a useful measure of a government's net resources available for spending at the end of the fiscal year.

The general fund is the chief operating fund of Alliance Preparatory Schools, Inc. At the end of the current fiscal year, the assets in the governmental fund consisted primarily of cash and cash equivalents which equaled 71.41% of total fund assets. Accounts payable trade accounted for the governmental fund liabilities. The unassigned fund balance of the governmental fund was \$4,614,665, 99.25% of total fund balance while total fund balance reached \$4,649,673, an increase of \$3,090,707 or 198% compared to prior year. At June 30, 2020, the total fund balance reached \$1,558,966. The main reason for the increase of balance funding is mainly due to the increase of county, state and federal funds. The primary source, 60.9%, of Major Fund revenue was \$9,710,209 that was provided by the State of North Carolina. An additional \$5,463,646, or 34.27% of Major Fund revenue, was in reimbursements by various counties for their students attending the School and the U.S.

Alliance Preparatory Schools, Inc.

government. The rest general revenues such as donations accounts for 4.83% of the Major Fund. Expenditures includes instructions-related expenditures of \$7,341,259, support service of \$5,272,489, and some other smaller expenses in total of \$12,628,222, accounted for 58.13%, 41.75% and 0.11% respectively of governmental funds expenditures.

Proprietary Funds. The organization's proprietary funds provide the same type of information found in the government-wide statements but in more detail. Mallard Creek STEM ended the year with a fund balance of (\$1,661,268) and Southwest Charlotte STEM Academy ended the year with a fund balance of (\$884,781) as of June 30, 2021. Other factors concerning the finances of this fund have already been addressed in the discussion of the organization's business-type activities.

Capital Asset and Debt Administration

Capital assets. Alliance Preparatory Schools, Inc.'s investment in capital assets for its governmental and business-type activities as of June 30, 2021, totals \$41,768,662 (net of accumulated depreciation). The total net capital assets being depreciated from MCSA is \$21,792,103 and the total net capital assets being depreciated from SCSA is \$19,976,559. These assets include building improvement, furniture and equipment.

Alliance Preparatory Schools, Inc.'s Capital Assets (Net of Depreciation)

Figure 4

	Governmental Activities		Business Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
Land	\$ 25,000	\$ 25,000	\$ 3,298,070	\$ 3,298,070	\$ 3,323,070	\$ 3,323,070
Building and improvements	1,421,951	1,432,359	35,610,714	36,361,348	37,032,665	37,793,707
Furniture and office equipment	346,427	482,903	1,066,500	1,185,000	1,412,927	1,667,903
Total	\$ 1,793,378	\$ 1,940,262	\$ 39,975,284	\$ 40,844,418	\$ 41,768,662	\$ 42,784,680

Additional information on the organization's capital assets can be found in note III.A.3. of the Basic Financial Statements.

Long-term Debt. As of June 30, 2021, Alliance Preparatory Schools, Inc. has total long-term debt of \$45,950,287. The debt consists of \$24,036,250 of 2019 revenue bond direct placement, \$22,625,000 of 2020 revenue bond direct placement, and (\$710,963) of bond discount.

Alliance Preparatory Schools, Inc.

Alliance Preparatory Schools, Inc.'s outstanding debt at June 30, 2021 and 2020 is summarized in the following schedule:

	Governmental Activities		Business Type Activities		Totals	
	2021	2020	2021	2020	2021	2020
2019 Revenue Bond	\$ -	\$ -	\$ 24,036,250	\$ 24,441,250	\$ 24,036,250	\$ 24,441,250
2020 Revenue Bond	-	-	22,625,000	22,835,000	22,625,000	22,835,000
Less Bond Discount	-	-	(710,963)	(719,584)	(710,963)	(719,584)
Total	\$ -	\$ -	\$ 45,950,287	\$ 46,556,666	\$ 45,950,287	\$ 46,556,666

Alliance Preparatory Schools, Inc.'s total debt decreased by \$606,379 during the past fiscal year primarily due to the decrease of 2019 revenue bond direct placement and 2020 revenue bond direct placement in the total of \$615,000.

Economic Factors

The following key economic indicators reflect the growth and prosperity of the organization:

- Stability in the area contributed to slightly increased funding to all public schools in the area, including charter schools.
- The lack of available school choice in the area resulted in a successful year 1 opening for SCSA.

Impact of Coronavirus on Alliance Preparatory Schools, Inc.: During the fiscal year, the state and the nation were affected by the spread of a coronavirus. The organization's response to the coronavirus included closing face to face operations as needed to assist with slowing the spread of the virus. Multiple times throughout the year when it was mandated, or made the most sense, in person operations were limited to only essential personnel. The halt of in person operations is especially difficult in educational settings, but through care, focus, and dedication of the organization operations continued and were adapted as needed to meet the needs of all students and staff.

Through coronavirus legislation and relief packages the organization was able to keep staff employed and taken care of, despite the added expenses and unknowns involved with the response to coronavirus. State Coronavirus Relief Funds were especially useful for the purchase of electronic devices for students and instructional purposes to aid in the transition from in person to remote learning when necessary. The funding was also quintessential to reopening safely with proper cleaning equipment and personal protective equipment on hand for all personnel.

Requests for Information

This report is designed to provide an overview of the organization's finances for those with an interest in this area. Questions concerning any of the information found in this report or requests for additional information should be directed to the Board Chair, Alliance Preparatory Schools, Inc., 9142 Browne Rd. Charlotte, NC 28269 Telephone (980) 288-4811.

Alliance Preparatory Schools, Inc.
Statement of Net Position
June 30, 2021

	Primary Government		
	Governmental Activities	Business-type Activities	Total
ASSETS			
Cash and cash equivalents	\$ 3,500,954	\$ 14,028	\$ 3,514,982
Restricted cash	-	3,425,197	3,425,197
Due from other governments	545,802	-	545,802
Accounts receivable - trade	821,047	-	821,047
Prepaid expenses	35,008	524	35,532
Security deposits	-	-	-
Capital assets:			
Land, improvements, and construction in progress	25,000	3,298,070	3,323,070
Other capital assets, net of depreciation	1,768,378	36,677,214	38,445,592
Total capital assets	<u>1,793,378</u>	<u>39,975,284</u>	<u>41,768,662</u>
Total assets	<u>6,696,189</u>	<u>43,415,033</u>	<u>50,111,222</u>
DEFERRED OUTFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
LIABILITIES			
Accounts payable - trade	253,138	10,795	263,933
Short-term note payable	-	-	-
Derivative instrument - interest rate swap	-	-	-
Long-term liabilities:			
Compensated absences	-	-	-
Due within one year	-	615,339	615,339
Due in more than one year	-	45,334,948	45,334,948
Total liabilities	<u>253,138</u>	<u>45,961,082</u>	<u>46,214,220</u>
DEFERRED INFLOWS OF RESOURCES	<u>-</u>	<u>-</u>	<u>-</u>
NET POSITION			
Net investment in capital assets	1,793,378	(5,975,003)	(4,181,625)
Restricted for debt service	-	3,425,197	3,425,197
Unrestricted	4,649,673	3,757	4,653,430
Total net position	<u>\$ 6,443,051</u>	<u>\$ (2,546,049)</u>	<u>\$ 3,897,002</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Activities
For the Year Ended June 30, 2021

Functions/Programs	Program Revenues				Net (Expense) Revenue and Changes in Net Position		
	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions	Primary Government		
					Governmental Activities	Business-type Activities	Total
Primary government:							
Governmental Activities:							
Instructional programs	\$ 7,473,455	\$ -	\$ 572,507	\$ -	\$ (6,900,948)	\$ -	\$ (6,900,948)
Athletics, arts and clubs	9,258	-	-	-	(9,258)	-	(9,258)
Support services	5,287,177	-	-	-	(5,287,177)	-	(5,287,177)
Community services	5,216	-	-	-	(5,216)	-	(5,216)
Interest on debt	-	-	-	-	-	-	-
Total governmental activities	<u>12,775,106</u>	<u>-</u>	<u>572,507</u>	<u>-</u>	<u>(12,202,599)</u>	<u>-</u>	<u>(12,202,599)</u>
Business-type activities:							
Before and after school fund	97	9,947	-	-	-	9,850	9,850
School lunch fund	336,230	10,418	90,980	-	-	(234,832)	(234,832)
Mallard Creek STEM Academy LLC	1,763,567	-	-	-	-	(1,763,567)	(1,763,567)
Southwest Charlotte STEM Academy LLC	2,271,312	-	-	-	-	(2,271,312)	(2,271,312)
Total business-type activities	<u>4,371,206</u>	<u>20,365</u>	<u>90,980</u>	<u>-</u>	<u>-</u>	<u>(4,259,861)</u>	<u>(4,259,861)</u>
Total primary government	<u>\$ 17,146,312</u>	<u>\$ 20,365</u>	<u>\$ 663,487</u>	<u>\$ -</u>	<u>(12,202,599)</u>	<u>(4,259,861)</u>	<u>(16,462,460)</u>
General revenues:							
Unrestricted county appropriations					4,891,139	-	4,891,139
Unrestricted State appropriations					9,710,209	-	9,710,209
Unrestricted Federal appropriations					-	-	-
Unrestricted fines and forfeitures					-	-	-
Donations - general					36,117	-	36,117
Miscellaneous, unrestricted					733,957	3,770,190	4,504,147
Transfers					(225,000)	225,000	-
Total general revenues, special items, and transfers					<u>15,146,422</u>	<u>3,995,190</u>	<u>19,141,612</u>
Change in net position					2,943,823	(264,671)	2,679,152
Net position-beginning, previously reported					3,499,228	(2,281,378)	1,217,850
Net position-ending					<u>\$ 6,443,051</u>	<u>\$ (2,546,049)</u>	<u>\$ 3,897,002</u>

The notes to the financial statements are an integral part of this statement

**Alliance Preparatory Schools, Inc.
Balance Sheet
Governmental Funds
June 30, 2021**

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
ASSETS				
Cash and cash equivalents	\$ -	\$ 2,359,006	\$ 1,141,948	\$ 3,500,954
Restricted cash	-	-	-	-
Due from other governments	-	335,095	210,707	545,802
Accounts receivable - other	-	505,455	315,592	821,047
Prepaid items	-	25,030	9,978	35,008
Security deposits	-	-	-	-
Total assets	-	3,224,586	1,678,225	4,902,811
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	-	201,805	51,333	253,138
Short term note payable	-	-	-	-
Total liabilities	-	201,805	51,333	253,138
DEFERRED INFLOWS OF RESOURCES				
	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	-	25,030	9,978	35,008
Unassigned	-	2,997,751	1,616,914	4,614,665
Total fund balances	-	3,022,781	1,626,892	4,649,673
Total liabilities, deferred inflows of resources, and funds balances	\$ -	\$ 3,224,586	\$ 1,678,225	

Amounts reported for governmental activities in the statement of net position (Exhibit 1) are different because:

Capital assets used in governmental activities are not financial resources and therefore are not reported in the funds.	1,793,378
Deferred outflows of resources related to pensions	-
Liabilities for earned but unavailable revenues in fund statements. Some liabilities, including bonds payable and accrued interest, are not due and payable in the current period and therefore are not reported in the funds.	-
Long term notes payable	-
Compensated absences	-
Net position of governmental activities	\$ 6,443,051

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds
For the Year Ended June 30, 2021

	Major Special Revenue Funds			Total Governmental Funds
	General Fund	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	
Revenues				
State of North Carolina	\$ -	\$ 5,766,829	\$ 3,943,380	\$ 9,710,209
Local education agencies	-	2,933,151	1,957,988	4,891,139
U.S. Government	-	293,214	279,293	572,507
Fines and forfeitures	-	-	-	-
Contributions and donations	-	16,909	19,208	36,117
Other	-	627,955	106,002	733,957
Total revenues	-	9,638,058	6,305,871	15,943,929
EXPENDITURES				
Current:				
Instructional programs	-	4,555,452	2,785,807	7,341,259
Athletics, arts and clubs	-	9,258	-	9,258
Support services	-	2,819,089	2,453,400	5,272,489
Community services	-	5,216	-	5,216
Capital outlay:	-	-	-	-
Debt service:	-	-	-	-
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	-	7,389,015	5,239,207	12,628,222
Excess (deficiency) of revenues over expenditures	-	2,249,043	1,066,664	3,315,707
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	-	(127,000)	(98,000)	(225,000)
Transfers to LLC rent	-	-	-	-
Total other financing sources (uses)	-	(127,000)	(98,000)	(225,000)
Net change in fund balance	-	2,122,043	968,664	3,090,707
Fund balances-beginning	-	900,738	658,228	1,558,966
Fund balances-ending	\$ -	\$ 3,022,781	\$ 1,626,892	\$ 4,649,673

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Reconciliation of the Statement of Revenues, Expenditures, and Changes in Fund Balances
Governmental Funds to the Statements of Activities
For the Year Ended June 30, 2021

Amounts reported for governmental activities in the statement of activities are different because:

Net changes in fund balances - total governmental funds	\$	3,090,707
Change in fund balance due to change in reserve for inventory		-
Governmental funds report capital outlays as expenditures. However, in the statement of activities the cost of those assets is allocated over their estimated useful lives and reported as depreciation expense. This is the amount by which capital outlays exceeded depreciation in the current period.		(146,884)
Contributions to the pension plan in the current fiscal year are not included on the statement of activities.		-
Revenues in the statement of activities that do not provide current financial resources are not reported as revenues in the funds.		
Amount of donated assets		-
The issuance of long-term debt provides current financial resources to governmental funds, while the repayment of the principal of long-term debt consumes the current financial resources of governmental funds. Neither transaction has any effect on net position. Also, governmental funds report the effect of issuance costs, premiums, discounts and similar items when debt is first issued, whereas these amounts are deferred and amortized in the statement of activities. This amount is the net effect of these differences in the treatment of long-term debt and related items.		-
Some expenses reported in the statement of activities do not require the use of current financial resources and, therefore, are not reported as expenditures in governmental funds.		
Pension expense		-
Compensated absences		-
Rounding adjustment		-
		<hr style="border: 1px solid black;"/>
Total changes in net position of governmental activities	\$	<u><u>2,943,823</u></u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Net Position
Proprietary Funds
June 30, 2021

	Major Enterprise Funds		
	Mallard Creek STEM Academy	Southwest Charlotte STEM Academy	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ 12,305	\$ 1,723	\$ 14,028
Cash - restricted debt service fund	1,663,260	1,761,937	3,425,197
Prepays	524	-	524
Inventories	-	-	-
Total current assets	<u>1,676,089</u>	<u>1,763,660</u>	<u>3,439,749</u>
Noncurrent assets:			
Capital assets:			
Land	2,000,000	1,298,070	3,298,070
Other capital assets, net of depreciation	17,998,725	18,678,489	36,677,214
Total noncurrent assets	<u>19,998,725</u>	<u>19,976,559</u>	<u>39,975,284</u>
Total assets	<u>\$ 21,674,814</u>	<u>\$ 21,740,219</u>	<u>\$ 43,415,033</u>
DEFERRED OUTFLOWS OF RESOURCES			
	-	-	-
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ 10,795	\$ -	\$ 10,795
Deferred revenue	-	-	-
Total current liabilities	<u>10,795</u>	<u>-</u>	<u>10,795</u>
Long-term liabilities:			
Due within one year	420,000	195,339	615,339
Due in more than one year	22,905,287	22,429,661	45,334,948
Total long-term liabilities	<u>23,325,287</u>	<u>22,625,000</u>	<u>45,950,287</u>
Total liabilities	<u>23,336,082</u>	<u>22,625,000</u>	<u>45,961,082</u>
DEFERRED INFLOWS OF RESOURCES			
	-	-	-
NET ASSETS			
Net investment in capital assets	(3,326,562)	(2,648,441)	(5,975,003)
Restricted for debt service	1,663,260	1,761,937	3,425,197
Unrestricted	2,034	1,723	3,757
Total net position	<u>\$ (1,661,268)</u>	<u>\$ (884,781)</u>	<u>\$ (2,546,049)</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Revenues, Expenses, and Changes in Fund Net Position
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
OPERATING REVENUES			
Before and after school care	\$ 9,947	\$ -	\$ 9,947
Lunch sales	332	10,086	10,418
Rental income from school	1,511,314	2,258,839	3,770,153
Dividend and interest income	-	37	37
Total operating revenues	1,521,593	2,268,962	3,790,555
OPERATING EXPENSES			
Salary and related costs	80,457	66,954	147,411
Supplies and materials	13,485	14,504	27,989
Contracted services	22,907	-	22,907
Food purchases	104,276	35,715	139,991
Interest expense	1,106,314	1,547,138	
Amortization	8,621	-	8,621
Depreciation expense	646,661	724,174	1,370,835
Total operating expenses	1,982,721	2,388,485	1,717,754
Operating income (loss)	(461,128)	(119,523)	2,072,801
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	82,030	8,950	90,980
Total nonoperating revenue (expenses)	82,030	8,950	90,980
Income (loss) before contributions and transfers	(379,098)	(110,573)	(489,671)
Capital contributions	-	-	-
Transfers (to) from other funds	127,000	98,000	225,000
Change in net position	(252,098)	(12,573)	(264,671)
Total net position - beginning	(1,409,170)	(872,208)	(2,281,378)
Total net position - ending	\$ (1,661,268)	\$ (884,781)	\$ (2,546,049)

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc.
Statement of Cash Flows
Proprietary Funds
For the Year Ended June 30, 2021

	Major Enterprise Funds		
	Southwest		Total
	Mallard Creek STEM Academy	Charlotte STEM Academy	
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 1,521,593	\$ 2,268,962	\$ 3,790,555
Cash paid to employees for services	(80,457)	(66,954)	(147,411)
Cash paid for goods and services	(1,237,373)	(1,597,357)	(2,834,730)
Net cash provided (used) by operating activities	<u>203,763</u>	<u>604,651</u>	<u>808,414</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	82,030	8,950	90,980
Transfer (to) from other funds	127,000	98,000	225,000
Net cash provided (used) by noncapital financing activities	<u>209,030</u>	<u>106,950</u>	<u>315,980</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Payments on bonds	(405,000)	(210,000)	(615,000)
Proceeds from bonds	-	-	-
Acquisition of capital assets	-	(501,701)	(501,701)
Net cash (used) by capital and related financing	<u>(405,000)</u>	<u>(711,701)</u>	<u>(1,116,701)</u>
Net increase (decrease) in cash and cash equivalents	7,793	(100)	7,693
Balances-beginning of the year	<u>1,667,772</u>	<u>1,763,760</u>	<u>3,431,532</u>
Balances-end of the year	<u>\$ 1,675,565</u>	<u>\$ 1,763,660</u>	<u>\$ 3,439,225</u>
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (461,128)	\$ (119,523)	\$ (580,651)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation and amortization	655,282	724,174	1,379,456
Changes in assets and liabilities:			
(Increase) decrease in prepaids	(524)	-	(524)
Increase (decrease) in accounts payable and accrued liabilities	10,133	-	10,133
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	<u>664,891</u>	<u>724,174</u>	<u>1,389,065</u>
Net cash provided (used) by operating activities	<u>\$ 203,763</u>	<u>\$ 604,651</u>	<u>\$ 808,414</u>

The notes to the financial statements are an integral part of this statement.

Alliance Preparatory Schools, Inc., North Carolina
Notes to the Financial Statements
For the Fiscal Year Ended June 30, 2021

I. Summary of Significant Accounting Policies

The accounting policies of the Alliance Preparatory Schools, Inc. (“Alliance”) conform to generally accepted accounting principles (GAAP) as applicable to governments. Charter schools are established by non-profit entities, such as Alliance. Because of the authority of the State Board of Education (SBE) to terminate, not renew or seek applicants to assume a charter on grounds sent out in the North Carolina General Statutes at G.S. 115C-218.95 with all net assets purchased with the public funds reverting to a local education agency (G.S. 115C-218.100), the charter schools in North Carolina follow the governmental reporting model as used by local education agencies. The following is a summary of the more significant accounting policies:

A. Reporting Entity

Alliance is a North Carolina non-profit corporation incorporated in December 2013. Pursuant to the provisions of the Charter School Act of 1996 as amended (the “Act”), Alliance has been approved to operate two charter schools: Mallard Creek STEM Academy and Southwest Charlotte STEM Academy (collectively, the “Schools”). The Schools are public schools with Mallard Creek STEM Academy serving approximately 940 students and Southwest Charlotte STEM Academy serving approximately 630 students. Each School operates under a separate charter agreement applied for under the provisions of General Statute (G.S.) 115C-218.1. G.S. 115C-218.6(b)(1) and authorized by the State Board of Education (“SBE”). The SBE has the authority to terminate, not renew or seek applicants to assume a charter on ground set out at G.S. 115C-218.95 with all net assets purchased with public funds reverting to a local education agency (G.S. 115C-218.100). The current charters are effective until June 30, 2026 for Mallard Creek and June 30, 2023 for Southwest Charlotte. Charters may be renewed for subsequent periods of ten (10) years unless one of the conditions in G.S. 115C-218.6(b) applies in which case the SBE may renew the charter for a shorter period or not renew the charter. Management believes that the charters will be renewed in the ordinary course of business.

Alliance has been recognized by the Internal Revenue Service as exempt from Federal income taxation under section 501 (a) of the Internal Revenue Code as an organization described in section 501(c)(3).

B. Basis of Presentation

Alliance’s financial statements have been prepared in conformity with generally accepted accounting principles as promulgated by the Governmental Accounting Standards Board and required by G.S. 115C-447 of The School Budget and Fiscal Control Act (the “SBFCA”). G.S. 115C-218.6(b)(1) provides that a charter school shall be subject to the audit requirements adopted by the SBE which include audit requirements established by G.S. 115C-47.

In accordance with GASB Statements No. 34, Basic Financial Statements – and Management Discussion and Analysis – for State and Local Governments (GASB 34), Alliance Preparatory Schools, Inc. is a special-purpose government that is engaged in governmental activities and is not a component unit of another government. Therefore, the financial statements are prepared in the same manner as general purpose governments.

Government-wide Statements: The Statement of Net Position and the Statement of Activities display information about the Alliance. These statements include the financial activities of the overall government. Eliminations have been made to minimize the double counting of internal activities. These statements

distinguish between the *governmental* and *business-type activities* of the School. Governmental activities generally are financed through inter-governmental revenues, and other non-exchange transactions. Business-type activities are financed in whole or in part by fees charged to external parties.

The statement of activities presents a comparison between direct expenses and program revenues for the different business-type activities of the Alliance and for each function of the Alliance's governmental activities. Direct expenses are those that are specifically associated with a program or function and, therefore, are clearly identifiable to a particular function. Indirect expense allocations that have been made in the funds have been reversed for the Statement of Activities. Program revenues include (a) fees and charges paid by the recipients of goods or services offered by the programs and (b) grants and contributions that are restricted to meeting the operational or capital requirements of a particular program. Revenues that are not classified as program revenues are presented as general revenues.

Fund Financial Statements: The fund financial statements provide information about the Alliance's funds. Separate statements for each fund category – *governmental and proprietary* – are presented. The emphasis of fund financial statements is on major governmental and enterprise funds, each displayed in a separate column. All remaining governmental and enterprise funds are aggregated and reported as non-major funds.

Proprietary fund operating revenues, such as charges for services, result from exchange transactions associated with the principal activity of the fund. Exchange transactions are those in which each party receives and gives up essentially equal values. Non-operating revenues, such as subsidies and investment earnings, result from non-exchange transactions or ancillary activities.

Alliance reports the following major governmental funds:

General Fund. The General Fund is the general operating fund of Alliance. The General Fund accounts for all financial resources except those that are required to be accounted for in another fund.

Special Revenue Funds. Mallard Creek STEM Academy and Southwest Charlotte STEM Academy Funds include appropriations from the county, the State Department of Public Instruction, the federal government and others. There are subfunds within each special revenue fund including:

County and Other Subfund. The County and Other Subfund includes appropriations from various counties and other support of Alliance's programs.

State Public School Subfund. The State Public School Subfund includes appropriations from the Department of Public Instruction for specific operating needs of the public school system.

Federal Grants Subfund. The Federal Grants Subfund includes appropriations of federal grants received for specific operating or capital purposes.

Alliance reports the following major enterprise funds:

Enterprise Funds. Mallard Creek STEM Academy and Southwest Charlotte STEM Academy enterprise funds account for the LLC's owned by Alliance, school food service and childcare activities.

Mallard Creek STEM Academy LLC. The Mallard Creek STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Mallard Creek STEM Academy.

Southwest Charlotte STEM Academy LLC. The Southwest Charlotte STEM Academy LLC is owned solely by Alliance Preparatory Schools, Inc. This LLC was formed for the purchase of the School property for Southwest Charlotte STEM Academy.

Before and After School Care Fund. The Before and After School Care Fund is used to account for the before and after school activities conducted by the School.

School Lunch Fund. The School Lunch Fund is used to account for the food service program within the school system.

C. Measurement Focus and Basis of Accounting

Government-wide and Proprietary Fund Financial Statement. The government-wide and proprietary fund financial statements are reported using the economic resources measurement focus. The government-wide and proprietary fund financial statements are reported using the accrual basis of accounting. Revenues are recorded when earned and expenses are recorded at the time liabilities are incurred, regardless of when the related cash flows take place. Non-exchange transactions, in which the School gives (or receives) value without directly receiving (or giving) equal value in exchange, include grants and donations. Revenue from grants and donations is recognized in the fiscal year in which all eligibility requirements have been satisfied.

Governmental Fund Financial Statements. Governmental funds are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Under this method, revenues are recognized when measurable and available. The School considers all revenues reported in the governmental funds to be available if the revenues are collected within sixty days after year-end. These could include federal, State, and county grants, and some charges for services. Expenditures are recorded when the related fund liability is incurred, except for principal and interest on general long-term debt, claims and judgments, and compensated absences, which are recognized as expenditures to the extent they have matured. General capital asset acquisitions are reported as expenditures in governmental funds. Proceeds of general long-term debt and acquisitions under capital leases are reported as other financing sources.

Under the terms of grant agreements, the School funds certain programs by a combination of specific cost-reimbursement grants and general revenues. Thus, when program expenses are incurred, there are both restricted and unrestricted net position available to finance the program. It is the School's policy to first apply cost-reimbursement grant resources to such programs, and then general revenues.

D. Budgetary Data

Annual budgets are adopted for all funds on a government-wide basis. All budgets are prepared using the modified accrual basis of accounting.

The governing board has voluntarily established the policy, as a sound business practice, that expenditures may not exceed appropriations, for all of the School's funds, based on the adopted budget and subsequent amendments. During the year, several amendments to the original budget were necessary, the effects of which were not material. The budget presented in the supplemental data represents the budget of the various Schools at June 30, 2021. All appropriations lapse at year end.

E. Assets, Deferred Outflows, Liabilities, Deferred Inflows, and Fund Equity

1. Deposits and Investments

All deposits of the Alliance are made in a local bank, whose accounts are FDIC insured. Also, the Alliance has established time deposit accounts such as money market accounts.

2. Cash and Cash Equivalents

Alliance pools money from several funds to facilitate disbursement and investment and to maximize investment income. Therefore, all cash and investments are essentially demand deposits and are considered cash and cash equivalents. Cash restricted to payments of principal and interest on USDA loans is reported separately in the financial statements.

3. Prepaid Items

Certain payments to vendors reflect cost applicable to future accounting periods and are recorded as prepaid items.

4. Capital Assets

Alliance's donated capital assets received prior to June 15, 2015 are recorded at their estimated fair value at the date of donation. Donated capital assets received after June 15, 2015 are recorded at acquisition value. All other capital assets are recorded at original cost. The total of these estimates is not considered large enough that any errors would be material when capital assets are considered as a whole.

It is the policy of the Alliance to capitalize all capital assets costing more than \$5,000 with an estimated useful life of two or more years. In addition, other items which are purchased and used in large quantities such as student desks and office furniture are capitalized. Improvements are capitalized and depreciated over the remaining useful lives of the related capital assets. All depreciable assets are depreciated using the straight-line method of depreciation. The cost of normal maintenance and repairs that do not add to the value of the asset or materially extend asset lives are not capitalized.

Capital assets are depreciated over the following estimated useful lives:

	<u>Years</u>
Building and improvements	30
Furniture and office equipment	7

5. Deferred outflows/inflows of resources

In addition to assets, the Statement of Financial Position will sometimes report a separate section for deferred outflows of resources. This separate financial statement element, *Deferred Outflows of Resources*, represents a consumption of net position that applies to a future period and so will not be recognized as an expense or expenditure until then. Alliance has no items that meet the criterion for this category for the current fiscal year. In addition to liabilities, the Statement of Financial Position will sometimes report a separate section for deferred inflows of resources. This separate financial statement element, *Deferred Inflows of Resources*, represents an acquisition of net position that applies to a future period and so will not be recognized as revenue until then. Alliance has no items that meet the criterion for this category.

6. Long-term Obligations

In the government-wide financial statements and proprietary fund types in the fund financial statements, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, or proprietary fund-type statements of net position.

In the fund financial statements, governmental fund types report the face amount of debt issued as other financing sources.

7. Compensated Absences

Alliance pays its employees in June of the current year for any accumulated time that has accrued during the year. Therefore, no accrual for compensated absences has been made.

8. Net Position/Fund Balances

Net Position

Net position in the government-wide and proprietary fund financial statements are classified as net investment in capital assets; restricted, and unrestricted. Restricted net position represents constraints on resources that are either externally imposed by creditors, grantors, contributors, or laws or regulations of other governments or imposed by law through State statute.

Fund Balance

In the governmental fund financial statements, fund balance is composed of five classifications designed to disclose the hierarchy of constraints placed on how fund balance can be spent.

The governmental fund types classify fund balances as follows:

Non-spendable Fund Balance – This classification includes amounts that cannot be spent because they are either (a) not in spendable form or (b) legally or contractually required to be maintained intact.

Inventories- portion of fund balance that is not an available resource because it represents the year-end balance of ending inventories, which are not spendable resources.

Prepaid Items- portion of fund balance that is not an available resource because it represents the year-end balance of prepaid rent on the school facility which is not a spendable resource.

Restricted Fund Balance – This classification includes amounts that are restricted to specific purposes externally imposed by creditors or imposed by law.

Committed Fund Balance – portion of fund balance that can only be used for specific purpose imposed by majority vote of Alliance’s governing body (highest level of decision-making authority). Any changes or removal of the specific purpose requires majority action by the governing bodies that approved the original action.

Assigned Fund Balance – Portion of fund balance the Alliance Preparatory Schools, Inc. intends to use for specific purposes.

Assigned for Clubs and Activities Fund – revenue sources restricted for expenditures for the various clubs and organizations, athletic events, and various fundraising activities for which they are collected.

Unassigned Fund Balance – the portion of fund balance that has not been assigned to another fund or restricted, committed, or assigned to specific purposes within the general fund.

Alliance Preparatory Schools, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: bond proceeds, federal funds, State funds, local non-board of education funds, board of education funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the Alliance.

9. The governmental fund balance sheet includes a reconciliation between fund balance – total governmental funds and net position – governmental activities as reported in the government-wide statement of net position. The net adjustment of \$1,940,262 consists of several elements as follows:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital assets used in governmental activities are not financial resources and are therefore not reported in the funds (total capital assets on government-wide statement in governmental activities column).	\$ 2,307,610
Less accumulated depreciation	(514,232)
Pension related deferred outflows of resources	
Differences between contributions and proportional share of contributions and changes in proportion	-
Contributions made to the pension plan in current fiscal year	-
Liabilities that, because they are not due and payable in the current period, do not require current resources to pay and are therefore not reported in the fund statements:	
Long-term notes payable	-
Capital leases payable	-
Bonds payable	-
Compensated absences	-
Net pension liability	-
Deferred inflows of resources related to pensions	
Differences between expected and actual experience	-
Differences between projected and actual earnings on plan investments	-
Total adjustment	<u>\$ 1,793,378</u>

F. Revenues, Expenditures, and Expenses

1. Funding

The Schools are funded by the SBE, receiving (i) an amount equal to the average per pupil allocation for the average daily membership (ADM) from the local school administrative unit allotments in which the School is

located (i.e. Charlotte-Mecklenburg County Board of Education) for each child attending the School except for the allocation for children with special needs and (ii) an additional amount for each child attending the School who is a child with special needs [G.S. 115C-238.29H(a)]. Subject to certain limitations, funds allocated by the SBE may be used to enter into operational and financing leases for real property or mobile classroom units for use as school facilities for charter schools and may be used for payments on loans made to charter schools for facilities, equipment, or operations. [G.S. 115C-218.105(b)] Additionally, the appropriate local school administrative unit(s) transfers to the School, for each student who resides in the local administrative unit and attends the charter school, an amount equal to the per pupil local current expense appropriation to the respective unit for the fiscal year. [G.S. 115C.238.29H(b)]. For the fiscal year ended June 30, 2021, the Schools received funding from the Boards of Education for Cabarrus, Charlotte-Mecklenburg and Gaston Counties along with Kannapolis City.

Furthermore, Alliance Preparatory Schools, Inc. and the Schools have received donations of cash and/or equipment from individuals and private organizations. The cash has been used for general fund activities.

2. Reconciliation Between Government-Wide and Fund Statements

The governmental fund Statement of Revenues, Expenditures, and Changes in Fund Balance is followed by a reconciliation between the change in fund balance – governmental activities and the change in net position – governmental funds as reported on the government-wide statement of activities. The net difference of \$1,008,173 between the two amounts consists of the following elements:

<u>DESCRIPTION</u>	<u>AMOUNT</u>
Capital outlay expenditures recorded in the fund statements but capitalized as assets on the statement of activities.	\$ -
Depreciation expense that is recorded on the statement of activities but not in the fund statements.	(146,884)
New debt issued during the year is recorded as a source of funds on the fund statements but has no effect on the Statement of Activities, only the Statement of Net Assets.	-
Principal payments on debt owed are recorded as a use of funds on the fund statements but again affect only the Statement of Net Assets in the government-wide statements.	-
Rounding adjustment	-
Compensated absences	-
Total	<u>\$ (146,884)</u>

G. Use of Estimates and Assumptions

Management uses estimates and assumptions in preparing financial statements. Those estimates and assumptions affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported revenues and expenditures.

II. Stewardship, Compliance, and Accountability

A. Material Violations of Finance-Related Legal and Contractual Provisions

Noncompliance with North Carolina General Statutes

None.

Contractual Violations

None.

B. Deficit Fund Balance or Net position of Individual Funds

Mallard Creek STEM Academy LLC is reporting a deficit in net assets of \$1,661,268 related to the bond proceeds issued. The School is the sole owner of the LLC and plans to absorb the deficit.

Southwest Charlotte STEM Academy LLC is reporting a deficit in net assets of \$884,781 related to the bond proceeds issued. The School is the sole owner of the LLC and plans to absorb the deficit.

III. Detail Notes on All Funds

A. Assets

1. Deposits

At June 30, 2021, Alliance had deposits with banks and savings and loans with a carrying amount of \$3,514,982. The bank balances with the financial institutions totaled \$3,687,400, of which \$500,000 was covered by the FDIC at June 30, 2021. The remaining \$3,187,400 is a credit risk at June 30, 2021. Alliance does not have a deposit policy for custodial credit risk.

2. Restricted cash

Alliance has bond proceeds held in trust in a debt service fund of \$3,425,197 at June 30, 2021.

3. Capital Assets

Capital asset activity for the year ended June 30, 2021, was as follows:

	Beginning	Increases	Decreases	Ending
Governmental activities				
<u>Mallard Creek STEM Academy</u>				
Capital assets not being depreciated:				
Land	\$ 25,000	\$ -	\$ -	\$ 25,000
Capital assets being depreciated:				
Building improvements	\$ 1,699,945	\$ -	\$ -	\$ 1,699,945
Furniture and office equipment	582,665	-	-	582,665
Total capital assets being depreciated	<u>2,282,610</u>	-	-	<u>2,282,610</u>
Less accumulated depreciation for:				
Building improvements	214,348	63,646	-	277,994
Furniture and office equipment	153,000	83,238	-	236,238
Total accumulated depreciation	<u>367,348</u>	<u>\$ 146,884</u>	\$ -	<u>514,232</u>
Total capital assets being depreciated, net	<u>1,915,262</u>			<u>1,768,378</u>
Governmental activity capital assets, net	<u>\$ 1,940,262</u>			<u>\$ 1,793,378</u>

Depreciation expense was charged to governmental functions as follows:

Instructional programs	\$ 132,196
Supporting services	<u>14,688</u>
	<u>\$ 146,884</u>

	Beginning	Increases	Decreases	Ending
Business-type activities				
<u>Mallard Creek STEM Academy</u>				
<u>Mallard Creek STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ 2,000,000	\$ -	\$ -	\$ 2,000,000
Capital assets being depreciated:				
Building improvements	19,399,824	-	-	19,399,824
Furniture and office equipment	-	-	-	-
Total capital assets being depreciated	19,399,824	-	-	19,399,824
Less accumulated depreciation for:				
Building improvements	754,438	646,661	-	1,401,099
Furniture and office equipment	-	-	-	-
Total accumulated depreciation	754,438	\$ 646,661	\$ -	1,401,099
Total capital assets being depreciated, net	18,645,386			17,998,725
Business-type activities capital assets, net	<u>\$ 20,645,386</u>			<u>\$ 19,998,725</u>
<u>Southwest Charlotte STEM Academy</u>				
<u>Southwest Charlotte STEM Academy LLC Fund</u>				
Capital assets not being depreciated:				
Land	\$ 1,298,070	\$ -	\$ -	\$ 1,298,070
Capital assets being depreciated:				
Buildings and improvements	18,170,217	501,701	-	18,671,918
Furniture and office equipment	1,185,000	-	-	1,185,000
Total capital assets being depreciated	19,355,217	501,701	-	19,856,918
Less accumulated depreciation for:				
Buildings and improvements	454,255	605,674	-	1,059,929
Furniture and office equipment	-	118,500	-	118,500
Total accumulated depreciation	454,255	\$ 724,174	\$ -	1,178,429
Total capital assets being depreciated, net	18,900,962			18,678,489
Business-type activities capital assets, net	<u>\$ 20,199,032</u>			<u>\$ 19,976,559</u>

B. Liabilities

1. Retirement Plan

Alliance Preparatory Schools, Inc. does not participate in the North Carolina Teacher's and State Employees' Retirement System.

Instead, the School offers a 401(k) Retirement Plan. Under the plan, the School contributes an amount equal to the employees' contributions up to a limit of 3% of the employees' compensation for the calendar year. The employee may make voluntary contributions, pursuant to a salary reduction agreement of a percentage of annual compensation not to exceed the limits set by the Internal Revenue Code.

2. Risk Management

The School is exposed to various risks of losses related to torts; theft of, damage to, and destruction of assets; errors and omissions; injuries to employees; and natural disasters. The School maintains general liability and errors and omissions insurance coverage of \$1 million per occurrence with a commercial carrier.

The School has obtained a Major Medical insurance policy for its personnel through a commercial insurer. Through the plan, permanent, full-time employees of the School are eligible to receive health care benefits.

The School carries commercial coverage for all other risks of loss. There have been no significant reductions in insurance coverage in the prior year, and claims have not exceeded coverage in any of the past two fiscal years.

The School carries fidelity bond coverage in the amount of \$250,000. The company that does all outsourced accounting carries fidelity bond coverage in the amount of \$500,000.

The School has elected not to carry flood insurance because the School is not in an area of the State that has been mapped and designated an "A" area (an area close to a river, lake or stream) by the Federal Emergency Management Agency.

3. Long-Term Obligations

a.) Bonds Payable

Series 2019 Bonds – On May 10, 2019, Mallard Creek STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$24,475,000 of tax exempt education revenue bonds (the "Bonds") with final maturity on June 15, 2049. The bonds were issued in two series, Series A (Tax-Exempt) was \$24,220,000 and Series B (Taxable) was \$255,000. The proceeds have been loaned to the Mallard Creek STEM Academy LLC. Such proceeds were used to purchase the school facilities that were previously being leased. The LLC is the obligor under the Series 2019 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2019 bonds.

The Series 2019 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2021 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements.

The 2021 bond issuances involved a total discount of \$728,205. As of June 30, 2021, the unamortized discount was \$710,963 and the carrying amount of the bonds payable on the Statement of Net Position is reduced by this amount.

Future debt maturities are as follows:

	Mallard Creek STEM Academy LLC
Year Ending June 30, 2022	\$ 420,000
Year Ending June 30, 2023	440,000
Year Ending June 30, 2024	460,000
Year Ending June 30, 2025	480,000
Year Ending June 30, 2026	505,000
Years Ending June 30, 2027-2031	2,880,000
Years Ending June 30, 2032-2036	3,655,000
Years Ending June 30, 2037-2041	4,695,000
Years Ending June 30, 2042-2046	6,060,000
Years Ending June 30, 2047-2049	4,441,250
	<u>\$ 24,036,250</u>

Series 2018 Bonds – On October 25, 2018, Southwest Charlotte STEM Academy issued through a direct placement the Public Finance Authority Education Revenue Bonds of the State of Wisconsin in the principal amount of \$22,835,000 of tax exempt education revenue bonds (the “Bonds”) with final maturity on May 28, 2053. The bonds were issued in two series, Series A (Tax-Exempt) was \$22,450,000 and Series B (Taxable) was \$385,000. The proceeds have been loaned to the Southwest Charlotte STEM Academy LLC. Such proceeds were used to purchase the school facilities that the School is using. The LLC is the obligor under the Series 2018 Bonds; however, the rental revenue from the School under the lease agreement between the LLC, as lessor, and the School, as lessee, is the primary source of repayment of the Series 2018 bonds.

The Series 2018 Bonds include certain financial covenant requirements of the School, as lessee, including that the School has cash on hand at June 30, 2021 to cover at least 50 days of operating expenses and maintaining net income available for debt service in an amount equal to at least 1.05 times Maximum Annual Debt Service on all indebtedness then outstanding. The School was in compliance with these covenant requirements.

Future debt maturities are as follows:

	Southwest Charlotte STEM Academy LLC
Year Ending June 30, 2022	\$ 195,339
Year Ending June 30, 2023	214,107
Year Ending June 30, 2024	239,280
Year Ending June 30, 2025	254,518
Year Ending June 30, 2026	274,083
Years Ending June 30, 2026-2030	1,669,103
Years Ending June 30, 2031-2035	2,355,712
Years Ending June 30, 2036-2040	3,304,966
Years Ending June 30, 2041-2045	4,643,071
Years Ending June 30, 2046-2050	6,529,238
Years Ending June 30, 2051-2053	2,945,583
	<u>\$ 22,625,000</u>

b.) Changes in General Long-Term Obligations

	Balance			Balance		Current
	July 1, 2020	Increases	Decreases	June 30, 2021	Portion	
Business-type activities:						
2019 Revenue Bond Direct Placement	\$ 24,441,250	\$ -	\$ 405,000	\$ 24,036,250	\$ 420,000	
2020 Revenue Bond Direct Placement	22,835,000	-	210,000	22,625,000	195,339	
Less Bond Discount	(719,584)	-	8,621	(710,963)	-	
Total Business-Type Activities	<u>\$ 46,556,666</u>	<u>\$ -</u>	<u>\$ 623,621</u>	<u>\$ 45,950,287</u>	<u>\$ 615,339</u>	

C. Fund Balance

Alliance Preparatory Schools, Inc. has a revenue spending policy that provides guidance for programs with multiple revenue sources. The Finance Officer will use resources in the following hierarchy: federal funds, State funds, local non-School funds. For purposes of fund balance classification, expenditures are to be spent from restricted fund balance first, followed in-order by committed fund balance, assigned fund balance and lastly unassigned fund balance. The Finance Officer has the authority to deviate from this policy if it is in the best interest of the School.

The following schedule provides management and citizens with information on the portion of General Fund Balance that is available for appropriation.

Total fund balance	\$4,649,673
Less:	
Reserve for prepaid items	35,008
Remaining Fund Balance	\$4,614,665

IV. Transfers

Mallard Creek STEM Academy's county fund transferred \$127,000 and the Before and After School Fund transferred \$9,850 to the School Lunch Fund during the year to help with the operating costs of the fund. The LLC received \$1,511,314 from Mallard Creek STEM Academy's state and local funds as rent to repay bond proceeds. Southwest Charlotte STEM Academy's county fund transferred \$98,000 to the School Food Service Fund during the year to help with the operating costs of this funds. The LLC received \$2,258,839 from Southwest Charlotte STEM Academy's state and local funds as rent to repay bond proceeds.

V. Summary Disclosure of Significant Contingencies

Federal and State Assisted Programs

Alliance has received proceeds from several federal and State grants. Periodic audits of these grants are required and certain costs may be questioned as not being appropriate expenditures under the grant agreements. Such audits could result in the refund of grant moneys to the grantor agencies. Management believes that any required refunds will be immaterial. No provision has been made in the accompanying financial statements for the refund of grant moneys.

VI. Subsequent Events – Date of Management's Review

Alliance has evaluated subsequent events from the date of the balance sheet through the date the report is available to be issued which is the date of the Independent Auditor's Report. Alliance has not evaluated subsequent events after that date.

COMBINING STATEMENTS

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2021

Alliance Preparatory Schools, Inc.
School Resources by Governmental Subfund
June 30, 2021

	Mallard Creek STEM Academy			
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 2,359,006	\$ -	\$ -	\$ 2,359,006
Restricted cash	-	-	-	-
Due from other governments	335,095	-	-	335,095
Accounts receivable - other	505,455	-	-	505,455
Prepaid items	25,030	-	-	25,030
Security deposits	-	-	-	-
Total assets	3,224,586	-	-	3,224,586
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	201,805	-	-	201,805
Short term note payable	-	-	-	-
Total liabilities	201,805	-	-	201,805
DEFERRED INFLOWS OF RESOURCES	-	-	-	-
Fund balances:				
Nonspendable:				
Reserve for prepaid items	25,030	-	-	25,030
Unassigned	2,997,751	-	-	2,997,751
Total fund balances	3,022,781	-	-	3,022,781
Total liabilities, deferred inflows of resources, and funds balances	\$ 3,224,586	\$ -	\$ -	\$ 3,224,586

Alliance Preparatory Schools, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2021

Mallard Creek STEM Academy

	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 5,766,829	\$ -	\$ 5,766,829
Local education agencies	2,933,151	-	-	2,933,151
U.S. Government	-	-	293,214	293,214
Fines and forfeitures	-	-	-	-
Contributions and donations	16,909	-	-	16,909
Other	627,955	-	-	627,955
Total revenues	3,578,015	5,766,829	293,214	9,638,058
EXPENDITURES				
Current:				
Instructional programs	451,624	3,810,614	293,214	4,555,452
Athletics, arts and clubs	9,258	-	-	9,258
Support services	862,874	1,956,215	-	2,819,089
Community services	5,216	-	-	5,216
Capital outlay:	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	1,328,972	5,766,829	293,214	7,389,015
Excess (deficiency) of revenues over expenditures	2,249,043	-	-	2,249,043
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(127,000)	-	-	(127,000)
Transfers to LLC rent	-	-	-	-
Total other financing sources (uses)	(127,000)	-	-	(127,000)
Net change in fund balance	2,122,043	-	-	2,122,043
Fund balances-beginning	900,738	-	-	900,738
Fund balances-ending	\$ 3,022,781	\$ -	\$ -	\$ 3,022,781

Alliance Preparatory Schools, Inc.
School Net Position by Proprietary Subfund
June 30, 2021

Mallard Creek STEM Academy				
Enterprise Activities				
ASSETS	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	Total
Current assets:				
Cash and cash equivalents	\$ -	\$ 10,426	\$ 1,879	\$ 12,305
Cash - restricted debt service fund	1,663,260	-	-	1,663,260
Prepays	-	524	-	524
Inventories	-	-	-	-
Total current assets	1,663,260	10,950	1,879	1,676,089
Noncurrent assets:				
Capital assets:				
Land	2,000,000	-	-	2,000,000
Other capital assets, net of depreciation	17,998,725	-	-	17,998,725
Total noncurrent assets	19,998,725	-	-	19,998,725
Total assets	\$ 21,661,985	\$ 10,950	\$ 1,879	\$ 21,674,814
DEFERRED OUTFLOWS OF RESOURCES				
-				
LIABILITIES				
Current liabilities:				
Accounts payable - trade	\$ -	\$ 10,795	\$ -	\$ 10,795
Deferred revenue	-	-	-	-
Total current liabilities	-	10,795	-	10,795
Long-term liabilities:				
Due within one year	420,000	-	-	420,000
Due in more than one year	22,905,287	-	-	22,905,287
Total long-term liabilities	23,325,287	-	-	23,325,287
Total liabilities	23,325,287	10,795	-	23,336,082
DEFERRED INFLOWS OF RESOURCES				
-				
NET ASSETS				
Net investment in capital assets	(3,326,562)	-	-	(3,326,562)
Restricted for debt service	1,663,260	-	-	1,663,260
Unrestricted	-	155	1,879	2,034
Total net position	\$ (1,663,302)	\$ 155	\$ 1,879	\$ (1,661,268)

Alliance Preparatory Schools, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2021

	Mallard Creek STEM Academy			
	Enterprise Activities			Total
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	
OPERATING REVENUES				
Before and after school care	\$ -	\$ -	\$ 9,947	\$ 9,947
Lunch sales	-	332	-	332
Rental income from school	1,511,314	-	-	1,511,314
Dividend and interest income	-	-	-	-
Total operating revenues	<u>1,511,314</u>	<u>332</u>	<u>9,947</u>	<u>1,521,593</u>
OPERATING EXPENSES				
Salary and related costs	-	80,457	-	80,457
Supplies and materials	1,971	11,514	-	13,485
Contracted services	-	22,907	-	22,907
Food purchases	-	104,179	97	104,276
Interest expense	1,106,314	-	-	1,106,314
Amortization	8,621	-	-	8,621
Depreciation expense	646,661	-	-	646,661
Total operating expenses	<u>1,763,567</u>	<u>219,057</u>	<u>97</u>	<u>1,982,721</u>
Operating income (loss)	<u>(252,253)</u>	<u>(218,725)</u>	<u>9,850</u>	<u>(461,128)</u>
NONOPERATING REVENUES (EXPENSES)				
Federal reimbursements	-	82,030	-	82,030
Total nonoperating revenue (expenses)	<u>-</u>	<u>82,030</u>	<u>-</u>	<u>82,030</u>
Income (loss) before contributions and transfers	<u>(252,253)</u>	<u>(136,695)</u>	<u>9,850</u>	<u>(379,098)</u>
Transfers (to) from other funds	-	136,850	(9,850)	127,000
Change in net position	<u>(252,253)</u>	<u>155</u>	<u>-</u>	<u>(252,098)</u>
Total net position - beginning	<u>(1,411,049)</u>	<u>-</u>	<u>1,879</u>	<u>(1,409,170)</u>
Total net position - ending	<u>\$ (1,663,302)</u>	<u>\$ 155</u>	<u>\$ 1,879</u>	<u>\$ (1,661,268)</u>

Alliance Preparatory Schools, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2021

	Mallard Creek STEM Academy			
	Enterprise Activities			
	Mallard Creek STEM Academy, LLC	School Food Service	Before and After School Care	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Cash received from customers	\$ 1,511,314	\$ 332	\$ 9,947	\$ 1,521,593
Cash paid to employees for services	-	(80,457)	-	(80,457)
Cash paid for goods and services	(1,108,285)	(128,329)	(759)	(1,237,373)
Net cash provided (used) by operating activities	<u>403,029</u>	<u>(208,454)</u>	<u>9,188</u>	<u>203,763</u>
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES				
Federal reimbursements	-	82,030	-	82,030
Transfer (to) from other funds	-	136,850	(9,850)	127,000
Net cash provided (used) by noncapital financing activities	<u>-</u>	<u>218,880</u>	<u>(9,850)</u>	<u>209,030</u>
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES				
Payments on bonds payable	(405,000)	-	-	(405,000)
Bond discount	-	-	-	-
Acquisition of capital assets	-	-	-	-
Net cash (used) by capital and related financing	<u>(405,000)</u>	<u>-</u>	<u>-</u>	<u>(405,000)</u>
Net increase (decrease) in cash and cash equivalents	(1,971)	10,426	(662)	7,793
Balances-beginning of the year	<u>1,665,231</u>	<u>-</u>	<u>2,541</u>	<u>1,667,772</u>
Balances-end of the year	<u>\$ 1,663,260</u>	<u>\$ 10,426</u>	<u>\$ 1,879</u>	<u>\$ 1,675,565</u>
Reconciliation of operating income to net cash provided by operating activities				
Operating income	\$ (252,253)	\$ (218,725)	\$ 9,850	\$ (461,128)
Adjustments to reconcile operating income to net cash provided by operating activities:				
Depreciation and amortization	655,282	-	-	655,282
Changes in assets and liabilities:				
(Increase) decrease in prepaids	-	(524)	-	(524)
Increase (decrease) in accounts payable and accrued liabilities	-	10,795	(662)	10,133
Increase (decrease) in deferred inflows of resources	-	-	-	-
Total adjustments	<u>655,282</u>	<u>10,271</u>	<u>(662)</u>	<u>664,891</u>
Net cash provided (used) by operating activities	<u>\$ 403,029</u>	<u>\$ (208,454)</u>	<u>\$ 9,188</u>	<u>\$ 203,763</u>

Alliance Preparatory Schools, Inc.
School Resources by Governmental Subfund
June 30, 2021

Southwest Charlotte STEM Academy				
	County and Other	State Public School	Federal Grants	Fund Total
ASSETS				
Cash and cash equivalents	\$ 1,141,948	\$ -	\$ -	\$ 1,141,948
Restricted cash	-	-	-	-
Due from other governments	210,707	-	-	210,707
Accounts receivable - other	315,592	-	-	315,592
Prepaid items	9,978	-	-	9,978
Security deposits	-	-	-	-
Total assets	1,678,225	-	-	1,678,225
LIABILITIES AND FUND BALANCES				
Liabilities:				
Accounts payable - trade	51,333	-	-	51,333
Short term note payable	-	-	-	-
Total liabilities	51,333	-	-	51,333
DEFERRED INFLOWS OF RESOURCES				
-				
Fund balances:				
Nonspendable:				
Reserve for prepaid items	9,978	-	-	9,978
Unassigned	1,616,914	-	-	1,616,914
Total fund balances	1,626,892	-	-	1,626,892
Total liabilities, deferred inflows of resources, and funds balances	\$ 1,678,225	\$ -	\$ -	\$ 1,678,225

Alliance Preparatory Schools, Inc.
School Revenues, Expenditures and Changes in Governmental Subfund Balances
For the Year Ended June 30, 2021

Southwest Charlotte STEM Academy

	County and Other	State Public School	Federal Grants	Fund Total
Revenues				
State of North Carolina	\$ -	\$ 3,943,380	\$ -	\$ 3,943,380
Local education agencies	1,957,988	-	-	1,957,988
U.S. Government	-	-	279,293	279,293
Fines and forfeitures	-	-	-	-
Contributions and donations	19,208	-	-	19,208
Other	106,002	-	-	106,002
Total revenues	<u>2,083,198</u>	<u>3,943,380</u>	<u>279,293</u>	<u>6,305,871</u>
EXPENDITURES				
Current:				
Instructional programs	-	2,506,514	279,293	2,785,807
Athletics, arts and clubs	-	-	-	-
Support services	1,016,534	1,436,866	-	2,453,400
Community services	-	-	-	-
Capital outlay:	-	-	-	-
Debt service:				
Principal	-	-	-	-
Interest and other charges	-	-	-	-
Total expenditures	<u>1,016,534</u>	<u>3,943,380</u>	<u>279,293</u>	<u>5,239,207</u>
Excess (deficiency) of revenues over expenditures	<u>1,066,664</u>	<u>-</u>	<u>-</u>	<u>1,066,664</u>
OTHER FINANCING SOURCES (USES)				
Transfers to other funds	(98,000)	-	-	(98,000)
Proceeds from debt	-	-	-	-
Total other financing sources (uses)	<u>(98,000)</u>	<u>-</u>	<u>-</u>	<u>(98,000)</u>
Net change in fund balance	968,664	-	-	968,664
Fund balances-beginning	658,228	-	-	658,228
Fund balances-ending	<u>\$ 1,626,892</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 1,626,892</u>

Alliance Preparatory Schools, Inc.
School Net Position by Proprietary Subfund
June 30, 2021

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
ASSETS			
Current assets:			
Cash and cash equivalents	\$ -	\$ 1,723	\$ 1,723
Cash - restricted debt service fund	1,761,937	-	1,761,937
Accounts receivable - trade	-	-	-
Inventories	-	-	-
Total current assets	1,761,937	1,723	1,763,660
Noncurrent assets:			
Capital assets:			
Land	1,298,070	-	1,298,070
Other capital assets, net of depreciation	18,678,489	-	18,678,489
Total noncurrent assets	19,976,559	-	19,976,559
Total assets	\$ 21,738,496	\$ 1,723	\$ 21,740,219
DEFERRED OUTFLOWS OF RESOURCES			
-			
LIABILITIES			
Current liabilities:			
Accounts payable - trade	\$ -	\$ -	\$ -
Deferred revenue	-	-	-
Total current liabilities	-	-	-
Long-term liabilities:			
Due within one year	195,339	-	195,339
Due in more than one year	22,429,661	-	22,429,661
Total long-term liabilities	22,625,000	-	22,625,000
Total liabilities	22,625,000	-	22,625,000
DEFERRED INFLOWS OF RESOURCES			
-			
NET ASSETS			
Net investment in capital assets	(2,648,441)	-	(2,648,441)
Restricted for debt service	1,761,937	-	1,761,937
Unrestricted	-	1,723	1,723
Total net position	\$ (886,504)	\$ 1,723	\$ (884,781)

Alliance Preparatory Schools, Inc.
School Revenues, Expenses and Changes in Subfund Net Position
For the Year Ended June 30, 2021

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
OPERATING REVENUES			
Rental income from school	\$ 2,258,839	\$ -	\$ 2,258,839
Lunch sales	-	10,086	10,086
Dividend and interest income	37	-	37
Total operating revenues	2,258,876	10,086	2,268,962
OPERATING EXPENSES			
Salary and related costs	-	66,954	66,954
Supplies and materials	-	14,504	14,504
Contracted services	-	-	-
Food purchases	-	35,715	35,715
Interest expense	1,547,138	-	1,547,138
Depreciation expense	724,174	-	724,174
Total operating expenses	2,271,312	117,173	2,388,485
Operating income (loss)	(12,436)	(107,087)	(119,523)
NONOPERATING REVENUES (EXPENSES)			
Federal reimbursements	-	8,950	8,950
Total nonoperating revenue (expenses)	-	8,950	8,950
Income (loss) before contributions and transfers	(12,436)	(98,137)	(110,573)
Capital contributions	-	-	-
Transfers (to) from other funds	-	98,000	98,000
Change in net position	(12,436)	(137)	(12,573)
Total net position - beginning	(874,068)	1,860	(872,208)
Total net position - ending	\$ (886,504)	\$ 1,723	\$ (884,781)

Alliance Preparatory Schools, Inc.
School Statement of Cash Flows by Proprietary Subfund
For the Year Ended June 30, 2021

	Southwest Charlotte STEM Academy		
	Enterprise Activities		
	Southwest Charlotte STEM Academy, LLC	School Food Service	Total
CASH FLOWS FROM OPERATING ACTIVITIES			
Cash received from customers	\$ 2,258,876	\$ 10,086	\$ 2,268,962
Cash paid to employees for services	Brat5127**	(66,954)	(66,954)
Cash paid for goods and services	(1,547,138)	(50,219)	(1,597,357)
Net cash provided (used) by operating activities	711,738	(107,087)	604,651
CASH FLOWS FROM NONCAPITAL FINANCING ACTIVITIES			
Federal reimbursements	-	8,950	8,950
Transfer (to) from other funds	-	98,000	98,000
Net cash provided (used) by noncapital financing activities	-	106,950	106,950
CASH FLOWS FROM CAPITAL AND RELATED FINANCING ACTIVITIES			
Repayment of bonds payable	(210,000)	-	(210,000)
Bond discount	-	-	-
Acquisition of capital assets	(501,701)	-	(501,701)
Net cash (used) by capital and related financing	(711,701)	-	(711,701)
Net increase (decrease) in cash and cash equivalents	37	(137)	(100)
Balances-beginning of the year	1,761,900	1,860	1,763,760
Balances-end of the year	\$ 1,761,937	\$ 1,723	\$ 1,763,660
Reconciliation of operating income to net cash provided by operating activities			
Operating income	\$ (12,436)	\$ (107,087)	\$ (119,523)
Adjustments to reconcile operating income to net cash provided by operating activities:			
Depreciation expense	724,174	-	724,174
Changes in assets and liabilities:			
(Increase) decrease in accounts receivable	-	-	-
Increase (decrease) in accounts payable and accrued liabilities	-	-	-
Increase (decrease) in deferred inflows of resources	-	-	-
Total adjustments	724,174	-	724,174
Net cash provided (used) by operating activities	\$ 711,738	\$ (107,087)	\$ 604,651

Alliance Preparatory Schools, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Mallard Creek STEM Academy
All Fund Types except LLC
Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 5,415,548	\$ 5,766,829	\$ 351,281
Boards of Education	2,771,300	2,933,151	161,851
Fines and forfeitures	-	-	-
U.S. Government	234,828	293,214	58,386
Before and after school	-	9,947	9,947
Lunch sales	-	332	332
Contributions and donations	-	16,909	16,909
Others	189,000	627,955	438,955
Total revenues	<u>8,610,676</u>	<u>9,648,337</u>	<u>1,037,661</u>
Expenditures			
Salaries and bonuses	3,197,105	3,410,000	(212,895)
Benefits	748,319	763,601	(15,282)
Books and supplies	319,011	200,239	118,772
Technology	60,000	114,625	(54,625)
Non capitalized equipment	680,000	236,752	443,248
Contracted student services	181,338	87,449	93,889
Staff development	86,925	113,098	(26,173)
Administrative services	646,550	772,733	(126,183)
Insurances	57,727	73,986	(16,259)
Rents and debt service	1,642,561	877,288	765,273
Facilities	251,974	241,164	10,810
Utilities	111,080	92,244	18,836
Transportation and travel	253,000	197,975	55,025
Capital purchases	25,000	90,646	(65,646)
Before and after school	-	4,000	(4,000)
State CRF funds	-	128,147	(128,147)
Nutrition and food	142,791	204,222	(61,431)
Other	120,000	-	120,000
Total expenditures	<u>8,523,381</u>	<u>7,608,169</u>	<u>915,212</u>
Other financing sources (uses):			
Federal reimbursements	80,000	82,030	2,030
Proceeds from notes payable	-	-	-
Total other financing sources	<u>80,000</u>	<u>82,030</u>	<u>2,030</u>
Excess of revenues over expenditures	<u>\$ 167,295</u>	<u>\$ 2,122,198</u>	<u>\$ 1,954,903</u>

Alliance Preparatory Schools, Inc.
Schedule of Revenues, Expenditures and Changes in Fund Balance
Budget and Actual
Southwest Charlotte STEM Academy
All Fund Types
Year Ended June 30, 2021

	2021		
	Final Budget	Actual	Favorable (Unfavorable) Variance
Revenues:			
State of North Carolina	\$ 3,622,382	\$ 3,943,380	\$ 320,998
Boards of Education	6,012	1,957,988	1,951,976
Fines and forfeitures	-	-	-
U.S.Government	110,479	279,293	168,814
Before and after school	-	-	-
Lunch sales	-	10,086	10,086
Contributions and donations	-	19,208	19,208
Others	47,500	106,002	58,502
Total revenues	<u>3,786,373</u>	<u>6,315,957</u>	<u>2,529,584</u>
Expenditures			
Salaries and bonuses	1,992,300	1,956,939	35,361
Benefits	399,235	50,534	348,701
Books and supplies	146,500	236,678	(90,178)
Technology	40,000	81,342	(41,342)
Non capitalized equipment	20,000	31,719	(11,719)
Contracted student services	73,000	152,929	(79,929)
Staff development	73,790	73,062	728
Administrative services	298,482	521,602	(223,120)
Insurances	33,400	26,130	7,270
Rents and debt service	705,000	1,177,145	(472,145)
Facilities	140,050	650,317	(510,267)
Utilities	159,003	56,676	102,327
Transportation and travel	229,000	145,162	83,838
Nutrition and food	129,000	117,041	11,959
Capital purchases	885,000	8,052	876,948
Before and after care	-	4,355	(4,355)
Contingency	100,000	-	100,000
State CRF funds	-	66,697	(66,697)
Total expenditures	<u>5,423,760</u>	<u>5,356,380</u>	<u>67,380</u>
Other financing sources (uses):			
Federal reimbursements	55,000	8,950	(46,050)
Proceeds from notes payable	-	-	-
Total other financing sources	<u>55,000</u>	<u>8,950</u>	<u>(46,050)</u>
Excess of revenues over expenditures	<u>\$ (1,582,387)</u>	<u>\$ 968,527</u>	<u>\$ 2,550,914</u>

COMPLIANCE SECTION

ALLIANCE PREPARATORY SCHOOLS, INC.

CHARLOTTE, NORTH CAROLINA

JUNE 30, 2021

Rebekah Barr, CPA PC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH *GOVERNMENT AUDITING STANDARDS*

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

We have audited, in accordance with the auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, the accompanying financial statements of the governmental activities, the business-type activities, each major fund and the aggregate remaining fund information of Alliance Preparatory Schools, Inc. as of and for the year ended June 30, 2021, and the related notes to the financial statements, which collectively comprises Alliance Preparatory Schools, Inc.'s basic financial statements and have issued our report thereon dated October 27, 2021.

Internal Control Over Financial Reporting

In planning and performing our audit of the financial statements, we considered Alliance Preparatory Schools, Inc.'s internal control over financial reporting (internal control) to determine the audit procedures that are appropriate in the circumstances for the purpose of expressing our opinions on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control. Accordingly, we do not express an opinion on the effectiveness of Alliance Preparatory Schools, Inc.'s internal control.

A deficiency in internal control exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect and correct, misstatements on a timely basis. *A material weakness* is a deficiency, or a combination of deficiencies, in internal control, such that there is a reasonable possibility that a material misstatement of the School's financial statements will not be prevented, or detected and corrected on a timely basis. *A significant deficiency* is a deficiency, or a combination of deficiencies, in internal control that is less severe than a material weakness, yet important enough to merit attention by those charged with governance.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control that might be material weaknesses or, significant deficiencies. Given these limitations, during our audit we did not identify any deficiencies in internal control that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether Alliance Preparatory Schools, Inc.'s financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under *Government Auditing Standards*.

Purpose of this report

The purpose of this report is solely to describe the scope of our testing of internal control and compliance and the results of that testing, and not to provide an opinion on the effectiveness of the School's internal control or on compliance. This report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the School's internal control and compliance. Accordingly, this communication is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 27, 2021

Rebekah Barr, CPA PC

Certified Public Accountant

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INDEPENDENT AUDITOR'S REPORT ON COMPLIANCE FOR EACH MAJOR STATE PROGRAM AND ON INTERNAL CONTROL OVER COMPLIANCE; IN ACCORDANCE WITH OMB UNIFORM GUIDANCE; AND THE STATE SINGLE AUDIT IMPLEMENTATION ACT

Board of Directors
Alliance Preparatory Schools, Inc.
Charlotte, North Carolina

Report on Compliance for Each Major State Program

We have audited Alliance Preparatory Schools, Inc.'s compliance with the types of compliance requirements described in the *Audit Manual for Governmental Auditors in North Carolina*, issued by the Local Government Commission, that could have a direct and material effect on its major State program for the year ended June 30, 2021. Alliance Preparatory Schools, Inc.'s major State program is identified in the summary of auditor's results section of the accompanying schedule of findings and questioned costs.

Management's Responsibility

Management is responsible for compliance with the requirements of laws, regulations, contracts and grants applicable to its major State program.

Auditor's Responsibility

Our responsibility is to express an opinion on compliance for each of Alliance Preparatory Schools, Inc.'s major state programs based on our audit of the types of compliance requirements referred to above. We conducted our audit of compliance in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in the applicable sections of Title 2 US *Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards* (Uniform Guidance), as described in the *Audit Manual for Governmental Auditors in North Carolina*, and the State Single Audit Implementation Act. Those standards, Uniform Guidance, and the State Single Audit Implementation Act require that we plan and perform the audit to obtain reasonable assurance about whether noncompliance with the types of compliance requirements referred to above that could have a direct and material effect on a major state program occurred. An audit includes examining, on a test basis, evidence about the Alliance Preparatory Schools, Inc.'s compliance with those requirements and performing such other procedures, as we considered necessary in the circumstances.

We believe that our audit provides a reasonable basis for our opinion on compliance for each major state program. However, our audit does not provide a legal determination of the Alliance Preparatory Schools, Inc.'s compliance.

Opinion on Each Major State Program

In our opinion, the Alliance Preparatory Schools, Inc. complied, in all material respects, with the types of compliance requirements referred to above that could have a direct and material effect on each of its major state programs for the year ended June 30, 2021.


Report on Internal Control Over Compliance

Management of the Alliance Preparatory Schools, Inc. is responsible for establishing and maintaining effective internal control over compliance with the types of compliance requirements referred to above. In planning and performing our audit of compliance, we considered the Alliance Preparatory Schools, Inc.'s internal control over compliance with the types of requirements that could have a direct and material effect on a major state program to determine the auditing procedures that are appropriate in the circumstances for the purpose of expressing our opinion on compliance for each major state program and to test and report on internal control over compliance in accordance with Uniform Guidance, but not for the purpose of expressing an opinion on the effectiveness of internal control over compliance. Accordingly, we do not express an opinion on the effectiveness of the School's internal control over compliance.

A deficiency in internal control over compliance exists when the design or operation of a control over compliance does not allow management or employees, in the normal course of performing their assigned functions, to prevent, or detect and correct, noncompliance with a type of compliance requirement of a state program on a timely basis. *A material weakness in internal control over compliance* is a deficiency, or a combination of deficiencies, in internal control over compliance, such that there is a reasonable possibility that material noncompliance with a type of compliance requirement of a state program will not be prevented, or detected and corrected, on a timely basis. *A significant deficiency in internal control over compliance* is a deficiency, or combination of deficiencies, in internal control over compliance with a type of compliance requirement of a State program that is less severe than a material weakness in internal control over compliance, yet important enough to merit attention by those charged with governance.

Our consideration of internal control over compliance was for the limited purpose described in the first paragraph of this section and was not designed to identify all deficiencies in internal control over compliance that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over compliance that we consider to be material weaknesses. However, material weaknesses may exist that have not been identified.

The purpose of this report on internal control over compliance is solely to describe the scope of our testing of internal control over compliance and the results of that testing based on the requirements of Uniform Guidance. Accordingly, this report is not suitable for any other purpose.



Rebekah Barr, CPA PC
Certified Public Accountant
Wilson, North Carolina

October 27, 2021

ALLIANCE PREPARATORY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION I. -- SUMMARY OF AUDITORS' RESULTS

Financial Statements

Type of auditor's report issued on whether the financial statements audited were prepared in accordance to GAAP: Unmodified

Internal control over financial reporting:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Noncompliance material to financial statements noted	_____ yes	___X___ no
--	-----------	------------

State Awards

Internal control over major State programs:

Material weakness(es) identified?	_____ yes	___X___ no
Significant deficiency(ies) identified that are not considered to be material weaknesses?	_____ yes	___X___ none reported

Type of auditor's report issued on compliance for major State programs: Unmodified

Any audit findings disclosed that are required to be reported in accordance with the State Single Audit Implementation Act	_____ yes	___X___ no
--	-----------	------------

Identification of major State programs:

Program Name

State Public School Funds (PRC036 - Charter School Funds)

ALLIANCE PREPARATORY SCHOOLS, INC.
SCHEDULE OF FINDINGS AND QUESTIONED COSTS
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

ALLIANCE PREPARATORY SCHOOLS, INC.
CORRECTIVE ACTION PLAN
FOR THE YEAR ENDED JUNE 30, 2021

SECTION II. -- FINANCIAL STATEMENT FINDINGS

None reported

SECTION III. -- STATE AWARD FINDINGS AND QUESTIONED COSTS

None reported

ALLIANCE PREPARATORY SCHOOLS, INC.
SUMMARY SCHEDULE OF PRIOR YEAR'S AUDIT FINDINGS
FOR THE YEAR ENDED JUNE 30, 2021

This is the School's first year of operation.

ALLIANCE PREPARATORY SCHOOLS, INC.
MALLARD CREEK STEM ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	\$ 67,337
Improving Teacher Quality	84.367A	PRC 103	18,152
Student Support and Academic Enrich	84.424A	PRC 108	10,000
Cares Act K12 Emergency Relief	84.425D	PRC 163	191
ESSERF - Charter School Supplement	84.425D	PRC 164	514
ESSERF - Digital K-8 Curricula	84.425D	PRC 165	6,395
ESSERF - EC Grants	84.425D	PRC 167	3,357
GEER - Student Health Support	84.425D	PRC 169	23,093
Special Education Cluster:			
Idea Pre-School Handicapped	84.027-CL	PRC 049	1,028
Idea VI-B Handicapped	84.027-CL	PRC 060	163,147
Idea VI-B Targeted Assistance	84.027-CL	PRC 118	-
Total Special Education Cluster			164,175
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction:			
National School Lunch Program	10.555	PRC 035	82,030
TOTAL FEDERAL CASH ASSISTANCE			375,244
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	5,009
Charter Schools		PRC 036	5,766,829
CRF - Summer Learning		PRC 121	11,752
CRF - Contracting Mental Health		PRC 122	4,940
CRF - Remote Instruction		PRC 123	1,733
CRF - Student Computers and Devices		PRC 124	71,577
CRF - Services for Exceptional Children		PRC 132	23,145
CRF - Cybersecurity		PRC 135	15,000
TOTAL NC STATE CASH ASSISTANCE			5,899,985
TOTAL FEDERAL AND STATE AWARDS			\$ 6,275,229

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.

ALLIANCE PREPARATORY SCHOOLS, INC.
SOUTHWEST CHARLOTTE STEM ACADEMY
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS
FOR THE FISCAL YEAR ENDED JUNE 30, 2021

GRANTOR/PASS-THROUGH GRANTOR PROGRAM TITLE	FEDERAL CFDA NUMBER	STATE/ PASS-THROUGH GRANTOR'S NUMBER	EXPENDITURES
FEDERAL GRANTS:			
CASH ASSISTANCE			
<u>US Department of Education</u>			
Passed Through the North Carolina Department of Public Instruction:			
Title 1 Basic Funding	84.010A	PRC 050	\$ 93,482
Improving Teacher Quality	84.367A	PRC 103	18,406
Student Support and Academic Enrich	84.424A	PRC 108	10,000
CARES Act K12 Emergency Relief	84.425D	PRC 163	40,395
ESSERF - Digital K-8 Curricula	84.425D	PRC 165	3,044
ESSERF - EC Grants	84.425D	PRC 167	916
GEER - Student Health Support	84.425D	PRC 169	10,993
Special Education Cluster:			
Idea Pre-School Handicapped	84.027-CL	PRC 049	598
Idea VI-B Handicapped	84.027-CL	PRC 060	101,460
Idea VI-B Targeted Assistance	84.027-CL	PRC 118	-
Total Special Education Cluster			<u>102,058</u>
<u>US Department of Agriculture</u>			
Passed Through the NC Department of Public Instruction:			
National School Lunch Program	10.555	PRC 035	<u>8,950</u>
TOTAL FEDERAL CASH ASSISTANCE			<u>288,244</u>
NC STATE GRANTS:			
CASH ASSISTANCE			
<u>NC Department of Public Instruction</u>			
Summer Reading Camps		PRC 016	392
State Public School Funds		PRC 036	3,876,291
CRF - Summer Learning		PRC 121	8,711
CRF - Remote Instruction		PRC 123	608
CRF - Student Computers and Devices		PRC 124	<u>57,378</u>
TOTAL NC STATE CASH ASSISTANCE			<u>3,943,380</u>
TOTAL FEDERAL AND STATE AWARDS			<u>\$ 4,231,624</u>

Notes to the Schedule of Expenditures of Federal and State Awards:

Note 1: Basis of Presentation

The accompanying schedule of expenditures of federal and State awards (SEFSA) includes the federal and State grant activity of the Alliance Preparatory Schools, Inc. under the programs of the federal government and the State of North Carolina for the year ended June 30, 2021. The information in this SEFSA is presented in accordance with the requirements of Title 2 US Code of Federal Regulations Part 200, Uniform Administrative Requirements, Cost Principles, and Audit Requirements for Federal Awards and the State Single Audit Implementation Act. Because the Schedule presents only a selected portion of the operations of Alliance Preparatory Schools, Inc., it is not intended to and does not present the financial position, changes in net position, or cash flows of Alliance Preparatory Schools, Inc..

Note 2: Indirect Costs

The School has not elected to charge a 10 percent de minimis indirect cost rate to its grants and has not elected to obtain a federal indirect cost rate.

Note 3: Summary of Significant Accounting Policies

Expenditures reported in the schedule of expenditures of federal and state awards are reported on the accrual basis of accounting.